

SHAREHOLDER REPORT

FIRST QUARTER 2020



CENTRIC FINANCIAL CORPORATION



**MAY 21, 2020**

Dear Shareholders and Friends:

We are pleased to report our financial results for the first quarter of 2020. For the three months ended March 31, 2020, Centric reported net income of \$1,541,000, or \$0.18 per common share-basic. Compared to first quarter 2019, net income decreased \$216,000. Return on Average Assets and Return on Average Equity ended the first quarter at 0.77% and 7.82%, respectively, with net interest margin increasing seven basis points from the prior quarter to 3.82%.



**Patricia A. Husic**  
President & CEO

Due to the COVID-19 restrictions issued by the federal and state governments, the Bank prudently expensed \$300,000 of additional loan loss provision as economic factors changed in March and continue to evolve. The impact of recording the additional loan loss provision resulted in a reduction of earnings per share of \$.02 for the first quarter 2020 to \$.18, down from \$.21 for the first quarter 2019.

Total assets at March 31, 2020 rose to \$843 million, reflecting an increase of \$109 million from the same period 2019. Total loans at March 31, 2020 were \$693 million, an increase of \$55 million, or 9%, over the same period last year. The increase in loans over March 31, 2019 is attributed to the growth in commercial and industrial loans of \$11 million, or 6%, and commercial real estate loans of \$48 million, or 12%. Compared to the prior quarter's \$702 million, total loans decreased by \$10 million due to payoffs of commercial real estate and a \$14 million payoff of a cash secured relationship, which also affected certificates of deposits. We ended the quarter with deposits at \$659 million, an increase of \$45 million, or 7%, over the same period end 2019, but a decline of \$23 million compared to December 31, 2019 due to exiting non-core deposits. Non-interest bearing deposits are 17% of total deposits at March 31, 2020, growing \$22 million from the same period last year. Both short and long-term borrowings increased in order to take advantage of low cost funding.

Provision for loan losses totaled \$825,000 for the first three months of 2020, increasing \$290,000 from the same period last year due to evaluating the economic conditions of COVID-19 business closures and rising unemployment numbers. Non-performing assets as a percentage of total assets was 1.34% for March 31, 2020, an increase over the 0.76% held at the same quarter last year, but a decrease over the fourth quarter 2019 by 0.11%. The allowance for loan loss reserve is 1.32% to total loans at the end of the first quarter of 2020. Management believes the allowance appropriately reflects the risk inherent in the loan portfolio.

Although net interest income increased \$418,000 over the first quarter 2019, noninterest income declined by \$78,000 primarily due to a reduction in SBA fee income. Third party swap referral fees contributed to the total non-interest income during this quarter. Noninterest expense increased by \$314,000 over the same period in 2019, to \$5,182,000. Salaries and benefit expense totaling \$3,106,000 for this period was the largest contributor to the increase as a result of the increase in human capital and physical expansion in the Suburban Philadelphia area with a new financial center in Bucks and Chester Counties, a loan production office in Devon, and increases to our team

throughout our operational areas to support the infrastructure. During the first quarter of 2020, advertising expenses declined by \$113,000.

Since the beginning of March, the Bank's efforts have been largely focused on mitigating the impact of COVID-19 on our employees, customers, and community. The Bank immediately enacted our business continuity plan in response to the pandemic. We have emphasized employee safety, with approximately two thirds of our team members working remotely during these times. Although our financial centers are closed for walk-in traffic, we are utilizing our drive-thru lanes for customer transactions and in-person appointments when necessary. We have assisted our customers with enrollment for online and mobile banking and worked with business customers to implement remote deposit access with scanners. Our customers can access their funds 24/7 with the technology that we have in place. Since the stay at home orders, we have seen a slight increase in the various methods of technologies that we offer.

We are supporting our borrowers impacted by COVID-19 with various payment relief programs. As of the end of April 2020, approximately \$43.7 million of our commercial loan customers are on full principal and interest deferment, and \$95.5 million of commercial borrowers, primarily commercial real estate loan customers, are modified with interest only payments. We have offered skip a payment and some consumer loan products for our retail customers. We have also waived certain fees for our loan and deposit customers. The health and safety of our employees and customers is priority one for us, while providing critical resources and assistance in our communities.

Our COVID-19 business strategy is two-fold: help and sustain our small business customers and aggressively reach and service non-customers whose institutions are unwilling to support them. While many larger banks were unable to pivot quickly in response to the pandemic, we embraced our moment of change and demonstrated a nimbleness and agility that made headlines. We processed over 1,500 loans and 825 new deposits accounts in less than 2 months—more generation than we service in an entire year. And we turned uncertainty into solutions with a clear path of action to onboard our new-to-Centric PPP loan customers, 55% of whom are concentrated in the Philadelphia market.

With the changes made to lower our cost of deposits and the potential significant increase in market share from new customers, our goal is to emerge from this black swan stronger, bigger, and more valuable as an organization than we were pre-COVID-19.

When asked what gives him hope in this dark time, Federal Reserve Chairman Jerome Powell said, "I would never bet against the American economy or the American people. We'll get back to the place we were in February; we'll get to an even better place than that."

We are leading our team and customers to that better place.

Thank you for your trust and investment; we remain guided by our brand promise: We Revolve Around You!

Sincerely,

Patricia A. Husic  
President & CEO

## FINANCIAL HIGHLIGHTS (UNAUDITED)

Please visit the Investor Relations section on [CentricBank.com](http://CentricBank.com) for more detailed information in our earnings release.

### Consolidated Balance Sheet

(Dollars in thousands)

	At Period End		
	Mar 31, 2020	Dec 31, 2019	Mar 31, 2019
<b>Assets</b>			
Cash and cash equivalents	\$ 88,120	\$ 66,869	\$ 47,483
Other investments	34,996	36,621	27,541
Loans, net of allowance for loan and lease losses	683,906	693,495	630,362
Premises and equipment	17,966	17,887	12,308
Accrued interest receivable	2,481	2,304	2,279
Other assets	15,504	15,028	14,179
<b>Total Assets</b>	<b>\$ 842,973</b>	<b>\$ 832,204</b>	<b>\$ 734,152</b>
<b>Liabilities</b>			
Deposits – Noninterest-bearing	114,272	109,799	92,096
Deposits – Interest-bearing	545,133	572,261	521,825
Total deposits	659,405	682,060	613,921
Short-term borrowings	25,000	-	3,000
Long-term debt	77,279	70,435	43,102
Accrued interest payable	377	399	601
Other liabilities	1,589	1,821	1,809
<b>Total Liabilities</b>	<b>763,650</b>	<b>754,715</b>	<b>662,433</b>
<b>Total Shareholders' Equity</b>	<b>79,323</b>	<b>77,489</b>	<b>71,719</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 842,973</b>	<b>\$ 832,204</b>	<b>\$ 734,152</b>

### Consolidated Statement of Income

(Dollars in thousands)

	Three months ended		
	Mar 31, 2020	Dec 31, 2019	Mar 31, 2019
<b>Interest income</b>			
Interest and dividends on securities	\$ 251	\$ 290	\$ 269
Interest and fees on loans	9,348	9,508	8,752
Other	135	172	209
Total interest income	9,734	9,970	9,230
<b>Interest expense</b>			
Interest on deposits	2,028	2,295	2,105
Interest on borrowings	535	528	372
Total interest expense	2,563	2,823	2,477
<b>Net interest income</b>	<b>7,171</b>	<b>7,147</b>	<b>6,753</b>
Provision for loan losses	825	544	535
<b>Net interest income after provision expense</b>	<b>6,346</b>	<b>6,603</b>	<b>6,218</b>
Noninterest income	772	1,132	850
Noninterest expense	5,182	5,301	4,868
Income before taxes	1,936	2,434	2,200
Income tax expense	395	504	443
<b>Net income available to common shareholders</b>	<b>\$ 1,541</b>	<b>\$ 1,930</b>	<b>\$ 1,757</b>

### Earnings and Per Share Data

Basic earnings per common share	\$ 0.18	\$ 0.22	\$ 0.21
Book value (at period end)	\$ 9.05	\$ 8.85	\$ 8.20
Tangible book value (at period end)	\$ 8.99	\$ 8.79	\$ 8.15
Close price (at period end)	\$ 6.96	\$ 9.75	\$ 10.70
Common shares outstanding	8,764,174	8,758,646	8,742,290
Average shares outstanding – basic (period to date)	8,745,680	8,736,927	8,706,540

### Performance Ratios

Return on average assets (period to date)	0.77%	0.97%	0.99%
Return on average equity (period to date)	7.82%	10.08%	9.89%
Shareholders' equity/asset ratio (at period end)	9.41%	9.31%	9.77%
Net charge-offs/average loans (period to date)	0.00%	0.10%	0.13%
Nonperforming assets/total assets (at period end)	1.34%	1.45%	0.76%
Allowance for loan & lease losses as a percentage of loans	1.32%	1.18%	1.14%
Allowance for loan & lease losses/nonaccrual loans	182.53%	160.37%	159.73%

## MARKET MAKERS

Centric Financial Corporation common stock is traded as OTC Pink: CFCX.

**Boenning & Scattergood, Inc.**  
4 Tower Bridge  
200 Bar Harbor Drive, Suite 300  
West Conshohocken, PA 19428

**Raymond James  
& Associates, Inc.**  
222 South Riverside Plaza  
Seventh Floor  
Chicago, IL 60606

**Janney FIG Partners**  
1475 Peachtree St. NE,  
Suite 800  
Atlanta, GA 30309

**JWTT Inc.**  
1231 NW Hoyt Street,  
Suite 206  
Portland, OR 97209

**Keefe, Bruyette & Woods**  
787 Seventh Avenue  
New York, NY 10019

## TRANSFER AGENT

### AST Financial

ATTN: Centric Financial Corporation  
6201 15th Avenue, Brooklyn, NY 11219  
800-937-5449 | info@amstock.com

## BOARD OF DIRECTORS

### Donald E. Enders, Jr.

Chairman of the Board, President, Colonial Park Realty Company,  
Enders Insurance Associates

### John A. Maher, CPA

Vice Chairman of the Board, Fellow, Cambridge University (U.K.)

### Patricia A. Husic

President & Chief Executive Officer, Centric Financial Corporation  
and Centric Bank

### Kerry A. Pae

Secretary of the Board, President & Owner, Kerry Pae Auctioneers, Inc.

### Frank A. Conte, CLU, ChFC

Managing Partner, Conte Wealth Advisors

### Steven P. Dayton

Business Development, RVG Management & Development Company

### Thomas H. Flowers, CPA

Managing Partner, Flowers & Flowers, CPAs

### Nicole S. Kaylor

Of Counsel, McNeas Wallace & Nurick LLC

### Jeffrey W. Keiser, DDS

Progressive Dental Consultants, LLC

### Fred M. Essis

Director Emeritus, President & Chief Executive Officer,  
Essis & Sons Carpet One

## EXECUTIVE OFFICERS

### Patricia A. Husic

President & Chief Executive Officer

### Jeffrey W. Myers

Senior Executive Vice President, Chief Lending Officer,  
Asst. Secretary

### Sandra J. Schultz

Executive Vice President, Chief Financial Officer, Treasurer

### William T. McGrath, EVP

Executive Vice President, Chief Credit Officer

### Clair M. Finkenbinder III

Executive Vice President, Chief Information Officer & Director of  
Operations

### Leslie A. Meck

Senior Vice President, Chief Retail Officer

### Christine Pavlakovich, SHRM-SCP

Senior Vice President, Chief Human Resources Officer

### Kimberly L. Turner

Senior Vice President, Chief Risk Officer

## SENIOR LEADERSHIP TEAM

### Christopher J. Bickel

Senior Vice President, Main Line Market Leader

### Kevin M. Boland

Senior Vice President, Lancaster Market Leader

### Donald J. Bonafede

Senior Vice President, Senior Commercial Lender

### Jacqueline M. Fahey

Senior Vice President, Bucks County Market Leader

### Shane E. McNaughton

Senior Vice President, Management Information Systems

### Timothy J. Merrell

Senior Vice President, Director of Cash Management and  
Treasury Services

### Michael J. Watson

Senior Vice President, Senior Commercial Lender

### Paul B. Zwally

Senior Vice President, Director of Mortgage Services  
& Commercial Lender

